

Before the  
**Federal Communications Commission**  
Washington, DC 20554

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**DEC 30 1996**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of Federal-State Joint Board  
on Universal Service

) CC Docket No. 96-45  
)

**ERRATA**

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AirTouch Communications, Inc. ("AirTouch") hereby submits corrections to its comments filed on December 19, 1996, in the above-captioned proceeding. The attached pages reflect minor corrections to footnotes 11 and 25. The corrections do not change the substance, pagination, or format of AirTouch's comments on the Federal-State Joint Board Recommended Decision. Accordingly, acceptance of these corrections will not prejudice any party and will not unduly delay this proceeding.

Respectfully submitted,

AIRTOUCH COMMUNICATIONS, INC.

By:



Kathleen Q. Abernathy

David A. Gross

**AirTouch Communications, Inc.**

1818 N Street, N.W.

Washington, D.C. 20036

(202) 293-3800

Pamela J. Riley

**AirTouch Communications, Inc.**

One California Street, 9th Floor

San Francisco, CA 94111

(415) 658-2000

Its Attorneys

Date: December 30, 1996

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assistance fund, simply stating that they found it would be premature to conclude whether the base should be interstate revenues or a combination of interstate and intrastate revenues.<sup>10</sup> In order to reduce the number of cases to consider, the calculations below assume that the tax base is both intrastate and interstate net revenues. AirTouch has, using Commission data, constructed estimated total intrastate and interstate telecommunications services revenues broken down into two broad categories corresponding to: (a) local services; and (b) long distance and wireless. Because the tax based used in these projections is net revenues, these figures have been adjusted where possible to avoid double counting access charges paid by long distance companies to local exchange carriers. These estimates are presented in the table below:<sup>11</sup>

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<sup>10</sup> RD at ¶ 821.

<sup>11</sup> Because of the way the numbers are reported by the Commission in *Statistics of Common Carriers*, the local service revenue amount includes charges for basic monthly service, state and federal end user charges, and access charges levied on intrastate long-distance carriers. The long distance and wireless revenue amount represents the long distance service revenues collected by interstate telecommunications carriers reporting the Commission. The resulting total figure omits intrastate carriers' long distance revenues. However, these revenues are unlikely to be large enough to make significant differences in the resulting projected tax rates and deadweight losses. Wireless revenues are as calculated in the 1994 TRS Fund Worksheet.

In fact, from 1984 to 1990, penetration increased from 91.4 percent to 93.3 percent. "The results are consistent with the fact that even low-income customers pay a substantial portion of their monthly bill for toll services. For example, using a sample of actual May 1991 bills from Pacific Bell for California, we calculate that toll calls account for 64.9 percent of the total bill."<sup>23</sup> It is not true that low-income subscribers do not make toll calls and therefore care only about low access prices.<sup>24</sup>

Wolak<sup>25</sup> uses household-level data from the Consumer Expenditure Survey (1988-1991) to estimate a complete system of consumer demand functions for local and long-distance service, food, clothing, and other non-durable goods. He accounts for both income effects and cross-price elasticities between all goods, making his the most general demand structure ever estimated for telecommunications services. He conducts simulations in which the price of local service is raised significantly while the price of long-distance service is lowered by an equal percentage. In each case, he concludes that subscribership would not be harmed and that average consumer welfare increases.

There is a second reason that lowering the SLC would harm the public interest. In addition to violating principles of cost-causative pricing, lowering the SLC would violate economic principles of efficient taxation. It is a well-established principle of public finance

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<sup>23</sup> Hausman et. al., at 183

<sup>24</sup> In the non-dominance proceeding, AT&T presented data indicating that the level of long distance calling is relatively insensitive to subscriber income levels.

<sup>25</sup> Frank A. Wolak, "Can Universal Service Survive in a Competitive Telecommunications Environment? Evidence from the U.S. Consumer Expenditure Survey," mimeo, Feb. 1996.

## **CERTIFICATE OF SERVICE**

I, Shelia L. Smith, do hereby certify that copies of the foregoing "Comments of AirTouch Communications, Inc. on Federal-State Joint Board Recommended Decision" were served this 30th day of December, 1996 by first class United States mail, postage prepaid to the following:

**\*The Honorable Reed E. Hundt, Chairman**  
Federal Communications Commission  
1919 M Street, N.W., Room 814  
Washington, D.C. 20554

**\*The Honorable Rachelle B. Chong,**  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W., Room 844  
Washington, D.C. 20554

**\*The Honorable Susan Ness, Commissioner**  
Federal Communications Commission  
1919 M Street, N.W., Room 832  
Washington, D.C. 20554

**The Honorable Julia Johnson**  
Commissioner  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

**The Honorable Kenneth McClure**  
Vice Chairman  
Missouri Public Service Commission  
301 W. High Street, Suite 530  
Jefferson City, MO 65102

**The Honorable Sharon L. Nelson**  
Chairman  
Washington Utilities and Transportation  
Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**The Honorable Laska Schoenfelder**  
Commissioner  
South Dakota Public Utilities Commission  
500 E. Capital Avenue  
Pierre, SD 57501

**Martha S. Hogerty**  
Public Counsel for the State of Missouri  
P.O. Box 7800  
Harry S. Truman Building, Room 250  
Jefferson City, MO 65102

**\*Deborah Dupont, Federal Staff Chair**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**Paul E. Pederson, State Staff Chair**  
Missouri Public Service Commission  
P.O. Box 360  
Truman State Office Building  
Jefferson City, MO 65102

**Eileen Benner**  
Idaho Public Utilities Commission  
P.O. Box 83720  
Boise, ID 83720-0074

**Charles Bolle**  
South Dakota Public Utilities Commission  
State Capital, 500 E. Capital Avenue  
Pierre, SD 57501-5070

**Lorraine Kenyon**  
Alaska Public Utilities Commission  
1016 West Sixth Avenue, Suite 400  
Anchorage, AK 99501

**Debra M. Kriete**  
Pennsylvania Public Utilities Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Mark Long**  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Gerald Gunter Building  
Tallahassee, FL 32399-0850

**Samuel Loudenslager**  
Arkansas Public Service Commission  
P.O. Box 400  
Little Rock, AR 72203-0400

**Sandra Makeeff**  
Iowa Utilities Board  
Lucas State Office Building  
Des Moines, IA 50319

**Philip F. McClelland**  
Pennsylvania Office of Consumer Advocate  
1425 Strawberry Square  
Harrisburg, Pennsylvania 17120

**Michael A. McRae**  
D.C. Office of the People's Counsel  
1133 15th Street, N.W., Suite 500  
Washington, D.C. 20005

**\*Rafi Mohammed**  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, D.C. 20036

**Terry Monroe**  
New York Public Service Commission  
Three Empire Plaza  
Albany, NY 12223

**\*Clara Kuehn**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**\*Andrew Mulitz**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**\*Mark Nadel**  
Federal Communications Commission  
1919 M Street, N.W., Room 542  
Washington, D.C. 20554

**\*Gary Oddi**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**Teresa Pitts**  
Washington Utilities and Transportation  
Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**\*Jeanine Poltronieri**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**James Bradford Ramsay**  
National Association of Regulatory Utility  
Commissioners  
1201 Constitution Avenue, N.W.  
Washington, D.C. 20423

**\*Jonathan Reel**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**Brian Roberts**  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102-3298

**\*Gary Seigel**  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, D.C. 20036

**\*Pamela Szymczak**  
Federal Communications Commission  
2000 L Street, N.W., Suite 257  
Washington, D.C. 20036

**\*Whiting Thayer**  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, D.C. 20036

**\*Anna Gomez**  
Federal Staff Chair  
Federal Communications Commission  
2100 M Street, N.W., Room 8617  
Washington, D.C. 20554

**Paul E. Pederson**  
State Staff Chair  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

**\*Lisa Boehley**  
Federal Communications Commission  
2100 M Street, N.W., Room 8605  
Washington, D.C. 20554

**Deonne Bruning**  
Nebraska Public Service Commission  
300 The Atrium  
1200 N Street, P.O. Box 94927  
Lincoln, NE 68509-4927

**\*James Casserly**  
Senior Legal Advisor  
Office of Commissioner Susan Ness  
Federal Communications Commission  
1919 M Street, N.W., Room 832  
Washington, D.C. 20554

**\*John Clark**  
Federal Communications Commission  
2100 M Street, N.W., Room 8619  
Washington, D.C. 20554

**\*Bryan Clopton**  
Federal Communications Commission  
2100 M Street, N.W., Room 8615  
Washington, D.C. 20554

**\*Irene Flannery**  
Federal Communications Commission  
2100 M Street, N.W., Room 8922  
Washington, D.C. 20554

**\*Daniel Gonzalez**  
Legal Advisor  
Office of Commissioner Rachelle B. Chong  
Federal Communications Commission  
1919 M Street, N.W., Room 844  
Washington, D.C. 20554

**\*Emily Hoffnar**  
Federal Communications Commission  
2100 M Street, N.W., Room 8623  
Washington, D.C. 20554

**\*L. Charles Keller**  
Federal Communications Commission  
2100 M Street, N.W., Room 8918  
Washington, D.C. 20554

**\*David Krech**  
Federal Communications Commission  
2025 M Street, N.W., Room 7130  
Washington, D.C. 20554

**\*Diane Law**  
Federal Communications Commission  
2100 M Street, N.W., Room 8920  
Washington, D.C. 20554

**\*Robert Loube**  
Federal Communications Commission  
2100 M Street, N.W., Room 8914  
Washington, D.C. 20554

**\*Tejal Mehta**  
Federal Communications Commission  
2100 M Street, N.W., Room 8625  
Washington, D.C. 20554

**\*John Morabito**  
Deputy Chief, Account and Audits Division  
Common Carrier Bureau  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, D.C. 20554

**\*John Nakahata**  
Senior Legal Advisor  
Office of Chairman Reed E., Hundt  
Federal Communications Commission  
1919 M Street, N.W., Room 814  
Washington, D.C. 20554

**Lee Palagyi**  
Washington Utilities and Transportation  
Commission  
1300 South Evergreen Park Drive S.W.  
Olympia, WA 98504

**\*Kimberly Parker**  
Federal Communications Commission  
2100 M Street, N.W., Room 8609  
Washington, D.C. 20554

**Barry Payne**  
Indiana Office of the Consumer Counsel  
100 North Senate Avenue, Room N501  
Indianapolis, IN 46204-2208

**\*Michael Pryor**  
Federal Communications Commission  
2100 M Street, N.W., Room 8905  
Washington, D.C. 20554

**\*Richard D. Smith**  
Federal Communications Commission  
2100 M Street, N.W., Room 8605  
Washington, D.C. 20554

**\*Pamela Szymczak**  
Federal Communications Commission  
2100 M Street, N.W., Room 8912  
Washington, D.C. 20554


**\*Lori Wright**  
Federal Communications Commission  
2100 M Street, N.W., Room 8603  
Washington, D.C. 20554

**\*Alex Belinfante**  
Federal Communications Commission  
2033 M Street, N.W., Room 500  
Washington, D.C. 20554

**\*Larry Povich**  
Federal Communications Commission  
2033 M Street, N.W., Room 500  
Washington, D.C. 20554

**\*William Howden**  
Federal Communications Commission  
2000 L Street, N.W., Suite 812  
Washington, D.C. 20036

**Deborah S. Waldbaum**  
Colorado Office of Consumer Counsel  
1580 Logan Street, Suite 610  
Denver, Colorado 80203

  
Shelia L. Smith

**\*By Hand**